

Message Text

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ACTION EUR-12

INFO OCT-01 EA-09 NEA-10 IO-10 ISO-00 AID-05 CIAE-00 EB-07

FRB-01 INR-07 NSAE-00 USIA-15 TRSE-00 XMB-04 OPIC-06

SP-02 CIEP-02 LAB-04 SIL-01 OMB-01 NSC-05 SS-15

STR-04 CEA-01 PA-02 PRS-01 L-03 H-02 AGR-10 /140 W

----- 083123

R 311724Z OCT 75

FM AMEMBASSY LONDON

TO SECSTATE WASHDC 6070

INFO AMEMBASSY BERN

AMEMBASSY BONN

AMEMBASSY BRUSSELS

AMEMBASSY COPENHAGEN

AMEMBASSY DUBLIN

AMEMBASSY LUXEMBOURG

AMEMBASSY NEW DELHI

AMEMBASSY PARIS

AMEMBASSY ROME

AMEMBASSY STOCKHOLM

AMEMBASSY THE HAGUE

AMEMBASSY TOKYO

AMCONSUL BELFAST

AMCONSUL EDINBURGH

USMISSION EC BRUSSELS

USMISSION OECD PARIS

USDEL MTN GENEVA

USDOC WASHDC

UNCLAS SECTION 01 OF 02 LONDON 16692

DEPARTMENT PASS TREASURY AND FRB

E.O. 11652: N/A

TAGS: ECON, UK

SUBJECT: ECONOMIC DEVELOPMENTS - WEEK ENDING OCT. 3L

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BEGIN SUMMARY: THE RESIGNATION OF JAMES SLATER, CHAIR-

MAN OF SLATER WALKER SECURITIES, WHOSE VARIED MERCHANT BANKING OPERATIONS WERE ONCE WORTH NEARLY \$500 MILLION, AND INDICATIOLS FROM DETROIT THAT CHRYSLER'S DAYS AS A UK CAR MANUFACTURER MAY BE NUMBERED WERE THE MAJOR EVENTS OF THE WEEK. MUCH ATTENTION IS CENTERED ON NEXT WEEK'S MEETING OF THE NATIONAL ECONOMIC DEVELOPMENT COUNCIL WHEN THE GOVERNMENT WILL SURFACE ITS LATEST THINKING ON INDUSTRIAL STRATEGY. NO MAJOR ECONOMIC STATISTICS WERE PUBLISHED THIS WEEK ALTHOUGH THE PARLOUS STATE OF THE MACHINE TOOL INDUSTRY WAS UNDERLINED IN A DEPARTMENT OF INDUSTRY REPORT

1. MACHINE TOOL INDUSTRY HARD HIT BY RECESSION: THE IMPACT OF THE RECESSION ON THE MACHINE TOOL INDUSTRY WAS REFLECTED IN A SERIES OF FIGURES RELEASED BY THE DEPARTMENT OF INDUSTRY WITH MOST FIRMS OPERATING AT OR BELOW 60 PERCENT OF CAPACITY. IT IS ONLY BECAUSE EXPORTS HAVE HELD UP THAT THIS LEVEL OF OUTPUT HAS BEEN ABLE TO BE MAINTAINED. HOWEVER, THE STATISTICS INDICATE THAT NEW EXPORT ORDERS FOR THE THREE MONTHS ENDING LAST JULY WERE DOWN 51 PERCENT FROM THE COMPARABLE 1974 FIGURE. AT THE END OF JULY 1975, OUTSTANDING EXPORT ORDERS STOOD AT 123 MILLION POUNDS WHILE DOMESTIC ORDERS WERE 109 MILLION. ALTHOUGH NO FIGURES ARE AVAILABLE, THERE ARE INDICATIONS THAT THE SITUATION HAS CONTINUED TO DETERIORATE WITH THE POSSIBILITY OF CHRYSLER'S ENDING AUTOMOBILE PRODUCTION IN THE UK ADDING TO THE GLOOM.

2. WARNING ON IMPORT CONTROLS: PETER SHORE, SECRETARY OF STATEFOR TRADE, SPEAKING IN BRUSSELS, WARNED BRITAIN'S EEC PARTNERS THAT THE U.K. WOULD BE FORCED TO TAKE UNILATERAL ACTION TO RESTRICT IMPORTS IF "A MAJOR U.K. INDUSTRY WERE REALLY THREATENED" BY FOREIGN COMPETITION. SHORE EMPHASIZED THAT AN EXPANSION OF WORLD TRADE IS THE ONLY DETERRENT TO PROTECTIONISM. SHORE IS REPORTED TO HAVE COMMENTED THAT GERMANY MUST PLAY A LEADING ROLE OVER THE NEXT YEAR IF THERE IS TO BE A MAJOR RECOVERY OF INTERNATIONAL TRADE, IMPLYING THAT THERE MUST BE GREATER EXPANSIONARY MEASURES TO STIMULATE THE GERMAN ECONOMY IF RESTRICTIVE ACTION BY THE U.K. IS TO BE AVOIDED.

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3. MOTOR INDUSTRY EXPORTS SHOW LARGE GAINS: FIGURES FOR THE U.K. MOTOR INDUSTRY SHOW EXPORTS EARNINGS DURING THE

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STR-04 CEA-01 PA-02 PRS-01 L-03 H-02 AGR-10 /140 W

----- 083189

R 311724Z OCT 75

FM AMEMBASSY LONDON

TO SECSTATE WASHDC 6071

INFO AMEMBASSY BERN

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FIRST NINE MONTHS OF THE YEAR HAVE INCREASED 41 PERCENT
OVER A YEAR EARLIER. EVEN THOUGH IMPORTS BY VALUE HAVE
INCREASED 37 PERCENT BETWEEN JANUARY AND SEPTEMBER, THE
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TRADE SURPLUS FOR THE MOTOR INDUSTRY AS A WHOLE WAS 1.1 BILLION POUNDS FOR THE FIRST THREE QUARTERS OF 1975. THE VALUE OF IMPORTED AUTOMOBILES HAVE HOWEVER INCREASED BY OVER 50 PERCENT DURING THE NINE MONTHS RESULTING IN A 9 MILLION POUND DEFICIT IN AUTOMOBILE TRADE. THE TRADE SURPLUS GENERATED BY THE INDUSTRY AS A WHOLE RESULTED FROM BUOYANT SALES ABROAD OF COMMERCIAL VEHICLES, COMPONENTS AND SPECIALIZED VEHICLES, WHILE IMPORTS OF AUTOS CONTINUE TO CAPTURE AN INCREASING SHARE OF THE DOMESTIC MARKET.

4. EXCHANGE RATE AND GOLD:

	10/23	10/30	CHANGE
EXCHANGE RATE	\$2.0670	\$2.0730	UP \$0.0060
EFFECTIVE DEPRECIATION			
(PERCENT)	29.3	29.2	NARROWED 0.1
GOLD	\$144.00	\$143.75	DOWN \$0.25

5. FORWARD DISCOUNT ON STERLING:

	10/23	10/30	CHANGE
1 MONTH	1.00	0.92	DOWN 0.08
3 MONTHS	2.65	2.55	DOWN 0.10
6 MONTHS	4.80	4.55	DOWN 0.25

(ALL FIGURES IN CENTS)

6. EURODOLLAR INTEREST RATES:

	10/23	10/30	CHANGE
1 MONTH	6-1/4	6	DOWN 1/4
3 MONTHS	6-5/8	7	UP 3/8
6 MONTHS	7-3/8	7-5/8	UP 1/4

7. LOCAL AUTHORITY DEPOSIT RATES:

	10/23	10/30	CHANGE
1 MONTH	11-1/2	11-7/16	DOWN 1/16
3 MONTHS	11-3/4	11-11/16	DOWN 1/16
6 MONTHS	12-1/16	11-7/8	DOWN 3/16

8. THE MINIMUM LENDING RATE REMAINED UNCHANGED AT 12 PERCENT. RICHARDSON

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